



# The Institute of Chartered Accountants of India

Code: IN1AC419078  
Subject : 01 Accounting

Total Marks: 100  
Marks Obtained : 93.5

Subject : Accounting  
Number of Answer Books used : Main + 3 additional sheets

For use by ICAI only

419078

22 JAN 2021

| Q.No. | To be ticked (✓) by the candidate against the Questions answered | Marks Awarded<br>(To be filled by Examiner) |   |   |   |   | Total |
|-------|------------------------------------------------------------------|---------------------------------------------|---|---|---|---|-------|
|       |                                                                  | a                                           | b | c | d | e |       |
| 1     | ✓                                                                |                                             |   |   |   |   |       |
| 2     |                                                                  |                                             |   |   |   |   |       |
| 3     | ✓                                                                |                                             |   |   |   |   |       |
| 4     | ✓                                                                |                                             |   |   |   |   |       |
| 5     | ✓                                                                |                                             |   |   |   |   |       |
| 6     | ✓                                                                |                                             |   |   |   |   |       |
| 7     |                                                                  |                                             |   |   |   |   |       |
| 8     |                                                                  |                                             |   |   |   |   |       |
| 9     |                                                                  |                                             |   |   |   |   |       |
| 10    |                                                                  |                                             |   |   |   |   |       |
| 11    |                                                                  |                                             |   |   |   |   |       |
| 12    |                                                                  |                                             |   |   |   |   |       |
| 13    |                                                                  |                                             |   |   |   |   |       |
| 14    |                                                                  |                                             |   |   |   |   |       |
| Total |                                                                  |                                             |   |   |   |   |       |

Total Marks awarded (in words) \_\_\_\_\_

Examiner's Signature \_\_\_\_\_

Use only Blue / Black Ball Point Pen to write and shade the circles.  
**AVOID RED PEN.**  
Write the marks in the boxes before shading the respective circles.

Total Marks awarded

|   |   |
|---|---|
|   |   |
| 0 | 0 |
| 1 | 1 |
| 2 | 2 |
| 3 | 3 |
| 4 | 4 |
| 5 | 5 |
| 6 | 6 |
| 7 | 7 |
| 8 | 8 |
| 9 | 9 |



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## INSTRUCTIONS TO THE CANDIDATE

### Answers are not to be written on this page

- Answers should be written in figures and words in the allotted space at the right hand corner of the answer book only and nowhere else including additional answer sheets and graph paper.
- Roll number should be written in the box in numbers and darken the appropriate circles of the OMR sheet as per the instruction provided in the right hand corner of the cover page with **Black / Blue** ball point pen.
3. Fill particulars such as name of Examination, Group No., Paper No. and subject at the appropriate space at the left hand upper corner.
  4. Remove the Bar Code sticker of the particular paper from the Attendance sheet and affix the same on the box provided in the right hand corner of the cover page.
  5. Since a machine will read the Roll no., please check and ensure that Roll number written in numbers, words and circles darkened are correct. In case any candidate fills this information wrongly, Institute will not take any responsibility for rectifying the mistake.
  6. The answers should be written neatly and legibly
  7. The answer to each question must be commenced on a fresh page and question number prominently written at the top of each answer. Alternatively, the question number should be distinctly written in the margin.
  8. The answer to each question in all parts should be fully completed in one page or in a consecutive set of pages, before the next question is taken up.
  9. Writing of Roll number in place/s other than the space provided for the purpose or writing distinguishing mark, symbols like "OM", "Sri", "Jesus", "786", etc., will tantamount to adoption of "unfair means"
  10. Before submission of answer book to the invigilator take care to score out (X) blank pages, if any, that you might have left.



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3



Answer (4a)

| Date     | Particulars                                                                                                                             | Dr (₹) | Cr (₹) |
|----------|-----------------------------------------------------------------------------------------------------------------------------------------|--------|--------|
| 1/6/2019 | Bank A/c — Dr. 80,09,000<br>to 15% Debenture (convertible) Application A/c [ ] 80,09,000                                                |        |        |
| 1/6/2019 | 15% Deb (convertible) Application A/c — Dr. 80,09,000<br>Underwriters A/c — Dr. 20,00,000<br>to 15% Deb Convertible A/c [ ] 1,00,09,000 |        |        |
| 1/6/2019 | Underwriter Commission A/c — Dr. 20,00,000<br>to Underwriters A/c [ ] 20,00,000                                                         |        |        |
| 1/6/2019 | Underwriters A/c — Dr.<br>to Bank A/c                                                                                                   |        |        |
| 1/6/2019 | Bank A/c — Dr. 18,00,000<br>to Underwriters A/c [ ] 18,00,000                                                                           |        |        |
| 1/6/2019 | Debenture ded. Reserve Requirement A/c — Dr. 6,00,000<br>to Bank A/c [ ] 6,00,000                                                       |        |        |



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4



|           |                                |     |           |           |
|-----------|--------------------------------|-----|-----------|-----------|
| 30/9/2019 | Deb Interest A/c               | Dr. | 5,00,000  |           |
|           | to Bonds A/c                   |     |           | 5,00,000  |
|           |                                |     |           |           |
| 30/9/2019 | Rebenture Holders A/c          | Dr. | 5,00,000  |           |
|           | to Bonds A/c                   |     |           | 5,00,000  |
|           |                                |     |           |           |
| 1/1/20    | 15% Convertible Deb A/c        | Dr. | 60,00,000 |           |
|           | to Equity Share Capital A/c    |     |           | 19,00,000 |
|           | to Securities Premium A/c      |     |           | 50,00,000 |
|           |                                |     |           |           |
|           | 4aStep1                        |     |           |           |
| 31/3/2020 | Rebent. Interest A/c           | Dr. | 3,75,000  |           |
|           | to Rebenture Holders A/c       |     |           | 3,75,000  |
|           |                                |     |           |           |
|           | 4aStep2                        |     |           |           |
| 31/3/2020 | Rebenture Holders A/c          | Dr. | 3,75,000  |           |
|           | to Bank A/c                    |     |           | 3,75,000  |
|           |                                |     |           |           |
| 31/3/2020 | Abc A/c                        | Dr. | 10,75,000 |           |
|           | to Rebenture Interest A/c      |     |           | 8,75,000  |
|           | to Underwriting Commission A/c |     |           | 2,00,000  |
|           |                                |     |           |           |



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5



31/3/2022 Ac. A/c Dr 10,25,000  
    To Preference Share A/c 275,000  
    To Underwriter Com. A/c 20,900

Working Notes :-

(1) Calculation of DRR Investment :-

Every All listed companies have to make DRR of 15% of deb value except convertible portion.

Shares issued  $\rightarrow$  1,09,000  
Face Value  $\rightarrow$  100  
Total Value 1,09,00,000  
(-) Convertible Portn.  $\rightarrow$  (60,09,000)  
    (50%) 49,91,000  
    15%  
DRR required = 6,09,000

(2) Net Payable on 30/9/2019 :-

Face Value of Shares = 1,09,00,000  
Int. rate = 15%



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6



Period of int = 4 months

$$\text{Int} = 1,00,00,000 \times 15\% \times \frac{4}{12} \\ = \boxed{5,00,000}$$

(3) No of shares issued +

total face value of deb  
redemption = 6,00,00,000

face value of share = 60 ₹

$$\text{No of shares issued} = \frac{6,00,00,000}{60} = \boxed{10,00,000}$$

1

4aStep3

(4)

Int on 31/3/15 +

7.5

4a

on convertible shares  $60,00,000 \times 15\% \times \frac{1}{2}$  17,50,000

on other  $+ 40,00,000 \times 15\% \times \frac{1}{2}$  3,00,000

3,75,000

DO NOT WRITE ANYTHING HERE

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7

Answer  
(46)

## Cash flow Statement

### (2) Cash flow from operating activities

|                                 |            |           |
|---------------------------------|------------|-----------|
| Net Profit before tax           | 32,09,000  |           |
| Less:- Decrease in closing inv. | (1,47,600) | 28,52,400 |

### (+) Non-operating & non-cash ex.

|                       |          |           |
|-----------------------|----------|-----------|
| Depreciation          | 7,09,000 |           |
| Dividend on issue     | 45,000   |           |
| Int on deb paid       | 4,35,000 | 11,89,000 |
| Loss on Sale of Plant | 20,000   | 10,32,400 |
| - (60,000 - 60,000)   |          |           |

5 4bStep1

|                            |          |          |
|----------------------------|----------|----------|
| (-) Profit on sale of inv. | (25,000) |          |
| Loss on inv.               | (79,000) | (95,000) |

### Operating Profit before W.C. changes

|                           |        |            |
|---------------------------|--------|------------|
| (+) Decrease in inv.      | 21,600 | 39,37,400  |
| (+) Decrease in P.R.      | 13,800 |            |
| (+) Increase in C.P.      | 2,600  | 42,400     |
| (+) Increase in other ex. | 4,400  | 39,78,400  |
| Less:- Income tax paid    |        | (2,89,000) |

Cash flow from operating activities (A)  
6,99,800



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8

|                                                  |                    |
|--------------------------------------------------|--------------------|
| <u>Cash flow from investing</u>                  |                    |
| Sale of investment                               | 3,55,000           |
| Int on investment                                | 7,000              |
| Less of plant (70,000 - 6,00,000)                | (1,00,000)         |
| <b>2</b> 4bStep2 <u>Cash flow from inv</u>       | <b>18,34,000</b>   |
| <br>                                             |                    |
| <b>2.5</b> 4bStep3 <u>Cash flow financing</u>    |                    |
| Int on debentures                                | (4,35,000)         |
| Issue of eq. shares                              | 7,00,000           |
| Red of life shares                               | (21,00,000)        |
| Dividend paid                                    | (11,00,000)        |
| Wdrg plant (2,70,000 - 26,00,000)                | (23,30,000)        |
| <b>0.5</b> 4bStep4 <u>Net flow of financ (C)</u> | <b>(29,15,000)</b> |
| Net Cash flow = (A+B+C)                          | 1,29,800           |
| Op Cash Bal =                                    | 2,40,700           |
| <u>Closing Cash Balance =</u>                    | <u>3,70,500</u>    |

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|                         |             |
|-------------------------|-------------|
| <b>Total Marks:</b>     | <b>100</b>  |
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Page 09



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10



Ans. (5a)

Reversal entries

Bank A/c                      Dr              40,500 /  
    to ~~Interest~~  
P&L A/c                      Dr              4,500 /  
    to Investment A/c               40,500

Bank A/c                      Dr              84,500 /  
    to Equity Share Application A/c               84,500

Equity Share Application A/c              Dr              84,500 /  
    to Equity Share Capital A/c               84,500

~~Profit Loss A/c / General Reserve~~  
Profit Loss A/c                      Dr              20,000 /  
    to Premium on Redemption A/c               20,000

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11



11. Preference Share Capital A/c Dr. 2,08,000  
    By on Redemption A/c Dr. 2,00,000  
    to Preference Shareholders A/c [ ] 2,20,000

4.5

5aStep1

Preference Shareholders A/c Dr. 2,20,000  
    to Bank A/c [ ] 2,20,000

General Reserve A/c Dr. 39,000  
    Profit & Loss A/c Dr. 35,500  
    to Capital Redemption Reserve A/c [ ] 1,15,500

~~Working Notes:~~ Working Notes:

(1) No ~~of~~ shares to be issued +

→ Available Reserves +

General Reserve (1,00,000 - 40,000) = 60,000  
P&L A/c (60,000 - 4,500 - 20,000) = 35,500  
[ ] 1,15,500

→ All shares required +



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12



0

5aStep2

Face Value of RS Redeemed = 200,000  
(-) Available Reserve 1,15,500  
84,500  
Issue Price 100

2

5aStep5

No of Shares = 8,450 Shares @ ₹10 each.

(2) As Only free reserves can be used for CR, so, investment allowance reserve not available

⇒ An Extract of Balance Sheet as at 31/3/2020

1.5

5aStep3

| Particulars                   | Rs. | Amount                          |
|-------------------------------|-----|---------------------------------|
| (I) <u>Equity &amp; Liab</u>  |     |                                 |
| (1) <u>Shareholders' Fund</u> |     |                                 |
| (a) Share Capital             | 2   | 384,500                         |
| (b) Reserves & surplus        | 2   | <del>5,39,000</del><br>1,70,500 |
|                               |     | ?                               |
| (II) <u>Assets</u>            |     |                                 |
| (a) <u>Current Assets</u>     |     |                                 |
| (i) Cash & cash equivalents   |     | 1,00,000                        |
|                               |     | <del>59,500</del><br>12         |

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13



## Note 4 - Share Capital

| Particulars                        | Amount  |
|------------------------------------|---------|
| Authorized Share Capital           | -       |
| Issued, subscribed & fully paid up | -       |
| 38,450 equity shares of ₹10 each   | 384,500 |

2.5

5aStep4

## Note 5 - Reserve & Surplus

|                             |                   |        |
|-----------------------------|-------------------|--------|
| General Reserve             | 1,20,000          |        |
| Less: Transfer to CRR       | (80,000)          | 40,000 |
| → P&A                       | 60,000            |        |
| Less: Loss on Sale          | (4,500)           |        |
| Less: Transfer to CRR       | (35,500)          |        |
| Less: Dividend Paid         | (20,000)          | Nil    |
| → Investment Allowance Red. | 15,000            |        |
| → CRR                       | 1,15,500          |        |
|                             | <del>30,500</del> |        |
|                             | 1,70,500          |        |



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14



## Cash & Cash equivalent +

|                  |                 |
|------------------|-----------------|
| Bank of          | 1,95,000        |
| (+) Sale of inv  | 40,500          |
| (+) Eq. on issue | 84,500          |
| (-) Pre. Paid    | (2,20,000)      |
|                  | <u>1,00,000</u> |

## Alternatively +

For Premium of Redemption,

10.5

5a

General Reserve can also be used,  
instead of M,  
& it will work accordingly.

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15



Ans. (5b)

Cash Price = 1,20,000

Down Payment = 32,433

Instalment = 23,100  $\rightarrow$  5 instalments yearly (annual)

Ans.

Hire Purchase Price = Total instalment (inc. int.)

+ Down Payment

=  $(23,100 \times 5) + 32,433$

= 1,15,500 + 32,433

= 1,47,933 ₹

Cash Price = 1,20,000 ₹

Total Interest = Hire Pur Price -

Cash Price

= 1,47,933 - 1,20,000

= 27,933 ₹



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16



| Date             | Out Balance<br>at the end of<br>month (a) | Total<br>Instalment<br>(P+I) (1) | Interest<br>(I) (2)<br>(a/10) | Balance<br>Paid<br>(P) (3)<br>(1-2) |
|------------------|-------------------------------------------|----------------------------------|-------------------------------|-------------------------------------|
| 1/1/2016         | 1,20,000                                  | 32,433                           |                               | 32,433                              |
| 1/1/17           | 87,567                                    | 23,100                           | 8,757                         | 14,343                              |
| 1/1/18           | 73,224                                    | 23,100                           | 7,322                         | 15,778                              |
| 1/1/19           | 57,446                                    | <del>23,100</del>                | 5,745                         | 12,355                              |
| 4 5bStep1 1/1/20 | 40,091                                    | 23,100                           | 4,009                         | 19,091                              |
| 1/1/21           | 21,000                                    | 23,100                           | 2,100                         | 21,000                              |
|                  |                                           |                                  | 27,933                        | 1,20,000                            |

| KM Ltd.              |          |                       |          |
|----------------------|----------|-----------------------|----------|
| 1/1/2016 To Bank A/c | 32,433   | 1/1/16 By Machine A/c | 1,20,000 |
| 31/12/16 To Bank A/c | 23,100   | 31/12/16 By Int. A/c  | 8,757    |
| 31/12/16 To Bal c/d  | 73,224   |                       | 1,28,757 |
|                      | 1,28,757 |                       |          |
| 31/12 To Bank A/c    | 23,100   | 1/1/17 By Bal c/d     | 73,224   |
| 31/12 To Bal c/d     | 57,446   | 31/12 By Int. A/c     | 7,322    |
|                      | 80,546   |                       | 80,546   |
| 31/12 To Bank A/c    | 23,100   | 1/1/18 By Bal c/d     | 57,446   |
| 31/12 To Bal c/d     | 10,991   | 31/12 By Int. A/c     | 5,745    |
|                      | 63,191   |                       | 63,191   |

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17

31/12 40 Bank A/c 23,100  
    To Bal b/d 21,000  
    44,100

31/12 40 Bank A/c 23,100  
    By Bal b/d 21,000  
    By Int. Acc. 2,100  
    44,100

4 5b Step 2

8 5b

18.5 Q5

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18

Ans. (6b)

~~Gross Profit~~

| Particulars                   | Amount (₹)         |
|-------------------------------|--------------------|
| Gross Profit as per Trading.  | 38,15,890          |
| (+) Subsidies                 | 2,50,000           |
|                               | <u>40,65,890</u>   |
| (-) Adm. exp.                 | 4,99,200           |
| (-) Adv.                      | 1,18,200           |
| (-) Com. on sales             | 95,225             |
| (-) Director fees             | 1,35,840           |
| (-) Int. on debt.             | 28,460             |
| (-) Dep. as per Companies Act | 5,15,675           |
|                               | <u>(13,92,700)</u> |
|                               | 26,73,190          |

5 6bStep1

Thus, overall managerial remuneration is restricted to 11% of Profit

5 6b 11% of 26,73,190 = 2,94,050.90

Capex lower value =

2,94,050.90

It has been assumed that sale of forfeited shares is a capital profit.



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19

Ans (6c)

| Particulars                                                      | Rs.    | Cr.    |
|------------------------------------------------------------------|--------|--------|
| (1) Head office A/c<br>to Salary A/c                             | 5,000  | 5,000  |
| (2) Head Office A/c<br>to Bank A/c                               | 25,000 | 25,000 |
| (3) No entry                                                     |        |        |
| (4) Entry will be in the books<br>of recipient i.e., Head Office |        |        |
| (14) Sundry Debtors A/c<br>to Head Office A/c                    | 25,000 | 25,000 |
| (4) Head office A/c<br>to Sundry Debtors A/c                     | 25,000 | 25,000 |
| (5) <del>Bank A/c</del><br>to Head                               |        |        |
| (5) Cash in transit A/c<br>to Head Office A/c                    | 5,000  | 5,000  |



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20



Ans (6 ds)

- Non-corporate entities which satisfies ~~the~~ any of the following criteria ~~are~~ are Level I entities +

→ ☐ Whose equity or debt securities are listed or ~~are~~ ~~are~~ in the process of listed on any ~~are~~ recognized stock exchange, whether in India or outside India, or

→ ☐ any entity carrying on business of banking, insurance or mutual funds, or

→ ☐ Commercial, industrial or business enterprises, whose turnover exceeds ₹ 50 crore, in the immediately preceding financial year.

→ ☐ commercial, industrial or business enterprises, whose borrowings (including public deposits) exceeds ₹ 10 crore at any point of time in the immediately preceding financial year.



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21



DO NOT WRITE ANYTHING HERE

5

6dStep1

which is holding a subsidiary company of any of the above entities

5

6d

Ans (6e)

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

| Particulars                          |  | Rs./₹               | G/L/₹    |
|--------------------------------------|--|---------------------|----------|
| 11/11 Equity share final call A/c In |  | 1,69,000            |          |
| to Equity Share Capital A/c          |  |                     | 1,69,000 |
| 11/11 Bank A/c In                    |  | 1,69,000            |          |
| to Equity Share final call A/c       |  |                     | 1,69,000 |
| 11/11 Redemption Reserve A/c In      |  | 75,000              |          |
| to Securities Premium A/c            |  | 60,000              |          |
| Capital Reserve A/c In               |  | <del>1,10,000</del> |          |
| General Reserve A/c In               |  | 75,000              |          |
| to Return to Shareholders A/c        |  |                     | 3,29,000 |

alternate ans on next pg



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22



5

6eStep1

Bonus to shareholders Ac Dr 3,29,000/  
Community Share Capital Ac [3,29,000]

5

6e

Note:- Only reserves realized in cash can be used for capitalisation. Thus, revaluation of reserves, is not capitalised.

Alternatively -

→ Here, it is assumed that the capital reserve is realized in cash, thus, fully utilised, if it is assumed that other portion [1,19,000 - 45,000 = 65,000] is not in cash, so, capitalisation will be as follows:-

20

Q6

→ Capital Red Reserve Ac Dr 75,000  
Sec. Pro. Ac Dr 63,000  
Capital Reserve Ac Dr 45,000  
General Reserve Ac Dr 14,000  
To Bonus to shareholders 1,97,000  
Mc

DO NOT WRITE ANYTHING HERE

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23



Ans (1a)

According to ~~AS-19~~ - "Government Grants"  
→ Government grant relating to depreciable asset can be credited to deferred income, which will be utilised over the useful life of the asset (According to AS-12 - "Accounting for Govt. Grants")

→ Cost of Machinery = ₹130 lakh  
Salvage value = 60 lakh

Useful life = 4 years

Thus, depreciation as per straight line = 
$$\frac{\text{Cost} - \text{Salvage}}{\text{Useful life}}$$
$$= \frac{130 - 60}{4}$$
$$= ₹17.5 \text{ lakh each year}$$

→ Government grant received = 40 lakh  
Credited to deferred income,

will be systematically allocated over the useful life of the asset.



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Subject: 01 Accounting

Total Marks: 100  
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24



Grant to be recognised  
in P&L A/c =  $\frac{\text{Grant amt.}}{\text{useful life}}$

0.5 1aStep1

$$= \frac{40}{4}$$

2 1aStep2

$$= \boxed{10 \text{ lakh each year}}$$

2 1aStep3

Depreciation debited to P&L each  
⇒ year [31/3/17 to 31/3/20] ⇒ ₹17.5 lakh

⇒ Grant credited to  
each year ⇒ ₹10 lakh  
(31/3/17 to 31/3/20)

Net depreciation cost = ₹7.5 lakh

4.5 1a

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25



Ans (16-)

Acc. to AS-13 - "Investments",

⇒ When long-term investment is reclassified as ~~the~~ current investment, the transfer takes place at lower   
 ☐ of cost or carrying amount, at the date transfer

~~2 taken~~

(i) ☐ Here, long-term inv. is reclassified as short-term.

1

1bStep1

Cost = ₹ 10.5 lakh

Carrying amt = ₹ 9 lakh

Thus, transfer will be at ☐ ₹ 9 lakh.

(ii) ☐ Long-term inv is reclassified as current inv, Thus,

Cost = ₹ 14 lakh

Carrying amt = ₹ 14 lakh

Both are same, transfer at ₹ 14 lakh ☐



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Code: IN1AC419078  
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26



(iii) When, Current investment is reclassified as long term investment, transfer is at lower of cost or fair value, at the date of transfer.

(iv) Current inv. reclassified as long term.

Cost = ₹ 12 lakh

5

1b

Fair Value = ₹ 13.5 lakh

Thus, transfer takes place at ₹ 12 lakh

4

1b Step 2

(Market value assumed as fair value)

(iv) Current inv. reclassified as long term inv.

Cost = ₹ 18 lakh

Fair Value = ₹ 16.5 lakh

Thus, transfer takes place at ₹ 16.5 lakh

₹ 1.5 lakh (18 - 16.5) will be recognized in P&L A/c.

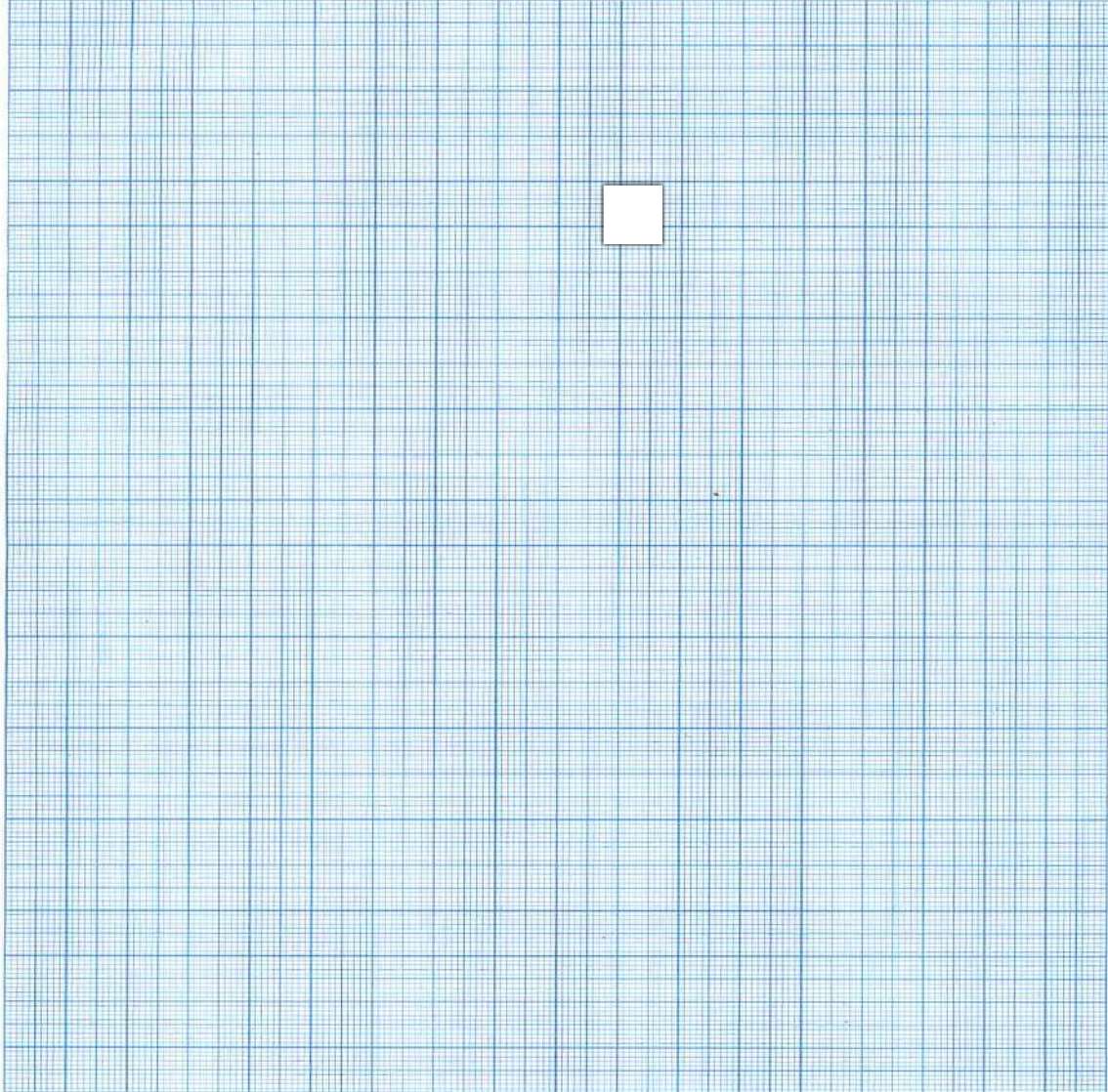


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Code: IN1AC419078  
Subject : 01 Accounting

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Marks Obtained : 93.5

27





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28

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Addl. Book No. 1

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA  
ADDL. BOOK

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ADDITIONAL ANSWER BOOK

Ans. (10)

As per 'AS-2' - "Valuation of Inventories",

→ ~~Here~~ Finished goods & partially finished goods are valued at ~~at~~ or Net realizable value, whichever is lower.

1cStep1

→ Material & other supplies used in the product are not written down below below cost if the product can be sold at cost or above cost; however,

if ~~the~~ net realized value of finished goods is less than cost, material will be valued at net realized value, which is taken to be replacement cost of materials.



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2



NRV of finished goods +

$$\begin{aligned} \text{Exp. selling price} &= 280 \\ (-) \text{Discount @ 5\%} &= (14) \\ \hline \text{NRV} &= 266 \text{ ₹} \end{aligned}$$

NRV of partly finished goods +

5 <sup>1c</sup> Exp. selling price = ~~245~~ 280  
(-) Estimated future cost = (50)  
230  
(-) Discount @ 5% = (14)  
216 ₹

4 <sup>1c</sup> Step 2

Loss of Valuation

| Item           | Cost | NRV/Replacement Cost | Quantity | Basis            | Total      |
|----------------|------|----------------------|----------|------------------|------------|
| Raw Material   | 120  | 80                   | 900      | 80 (Replacement) | 7200       |
| WIP            | 245  | 216                  | 400      | 216 (NRV)        | 86,400     |
| Finished Goods | 295  | 266                  | 800      | 266 (NRV)        | 2,12,800   |
| Total          |      |                      |          |                  | 3,71,200/- |



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3



Ans (1d)

According to AS-11 "The effects of changes in foreign exchange rates"

→ Exchange difference arising on re-valuation of foreign currency monetary items, at a rate, diff from those at which they were initially recognized, is treated as gain or loss & transferred to the P&L as expense or gain.

Para 46A

1dStep1  
→ Exchange diff arising on re-valuation of long-term foreign currency monetary items, at a rate diff from they were initially recognized, should so far it relates to non-depreciable asset may be

transferred to "foreign currency monetary items translation reserve"

& should be amortised over the useful life of the asset.



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Total Marks: 100  
Marks Obtained: 93.5

| Particulars                               |                            | Rate        | Amount/£   |
|-------------------------------------------|----------------------------|-------------|------------|
| (i) Debtors @ 12,500 US \$                |                            | \$1 = 72£   | 9,00,000   |
| Closing Rate                              |                            | \$1 = 73.5£ |            |
| Exchange gain                             |                            |             |            |
| 1.5 1dStep2                               | 12,500 \$ X 1.5            | \$1 = 73.5  |            |
|                                           |                            | - 72        |            |
|                                           |                            | = 1.5£      | 18,750£    |
| Treatment: Credited to P&L                |                            |             |            |
| 17.5 Q1                                   |                            |             |            |
| (ii) Long term loan                       |                            |             |            |
| @ US \$ 10,34,462                         |                            | \$1 = 72.50 | 75,08,000  |
| 3 1d                                      |                            |             |            |
| On 31/03/19                               |                            |             |            |
| £ 50,80,000 repaid at 70.5/£              |                            | \$1 = 70.50 |            |
| Exchange gain                             |                            |             |            |
| 0.5 1dStep3                               | 50,80,000 X 2 = 13,79,310£ |             | 13,79,310£ |
| 72.5                                      |                            |             |            |
| Treatment: Credited to P&L or FCMITR A/c. |                            |             |            |
| On 31/03/20                               |                            |             |            |
| Exchange loss: 78,000                     |                            | \$1 = 73.5£ | 96,557.72  |
| (10,34,462.22 - 68,96.55) X 1             |                            |             |            |
| debited to FCMITR A/c                     |                            |             |            |
| debited to FCMITR A/c or P&L A/c          |                            |             |            |



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Addl. Book No. 2

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Ans (36)

## Memorandum Trading A/c

|                        |          |                  |          |
|------------------------|----------|------------------|----------|
| to Op. Stock           | 1,50,000 | By Sales         | 5,19,000 |
| to Purchases           | 4,23,000 | less: Return     | 3,000    |
| less: - Drawings       | (8,000)  |                  | 6,09,000 |
| (10,000 x 20%)         | (4,000)  | By Consignment   | 25,000   |
| less: - Charitable     | (5,000)  | Inventories      |          |
| less: - Cash           |          |                  |          |
| to Wages               | 79,000   | By Closing Stock | 1,32,000 |
| less: - Mach.          | (6,000)  | (B/L)            |          |
| to GP (6,09,000 x 20%) | 1,22,000 |                  |          |
|                        | 75,000   |                  | 75,000   |



3bStep1



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Subject: 01 Accounting

Total Marks: 100  
Marks Obtained: 93.5

2

Loss of Stock

|                         |                              |  |
|-------------------------|------------------------------|--|
| Closing Stock as on DOR | 1,32,000                     |  |
| → Salvage Stock         | <del>132,000</del><br>31,000 |  |
| <u>Loss of Stock</u>    | <u>1,01,000</u>              |  |

2 3bStep2

Policy Claim

Policy Claim =  $\frac{\text{Policy Amt}}{\text{Stock on DOR}} \times \text{Loss}$

2 3bStep3

$= \frac{1,00,000}{1,32,000} \times 1,01,000$

10 3b

$= 76,515 \text{ ₹}$

→ For financial statement, purpose,  
consignment sales will form  
part of closing stock but  
here it not.

→ Drawings of partner: 10,000 Sal. value

Cost: Sale - GP

$= 10,000 \times 80\%$

$= 8,000 \text{ ₹}$





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Total Marks: 100  
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(1) Bonus Shares do not have any cost.

(2) No. of Bonus Shares =  $\frac{(8,000 + 2,000) \times 2}{1}$   
= 4,000 Shares

(3) No. of right Shares =  $\frac{(8,000 + 2,000 + 4,000) \times 2}{1}$   
= 4,000 Shares

3

3aStep2

2,000 Shares  
renounced

2,000 Shares  
@ 12.5 ₹

Sale of right transferred to 16,000 ₹

25,000 ₹

(4) Dividend +

On Shares Opening Balance =  $8,000 \times 10 \times 20\%$   
= 16,000 ₹  
P/L

On purchased =  $2,000 \times 10 \times 20\%$   
= 4,000 ₹  
adjusted to cost



# The Institute of Chartered Accountants of India

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Addl. Book No. 3

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ADDITIONAL ANSWER BOOK

(5) Profit on Sale

Sale Proceeds = Avg - Cost

Q3 Sale Proceeds = ~~14~~  $\frac{16.00}{2} \times 14 = 112,000 \text{ ₹}$

Avg - Cost =  $\frac{(1,29,000 + 12,000 + 15,000 - 4,000 - 18,000)}{(8,000 + 2,000 + 4,000 + 2,000)}$

1 3aStep3 =  $10.5625 \times 8,000$

10 3a =  $84,500 \text{ ₹}$

Thus Profit =  $1,12,000 - 84,500$

1 3aStep4 =  $27,500 \text{ ₹}$

(6) Valuation of Closing Bal:

Avg cost =  $10.5625 \times 8,000 = 84,500 \text{ ₹}$

Sale

Fair value =  $13 \times 8,000 = 1,04,000 \text{ ₹}$

Lower of two =  $84,500 \text{ ₹}$



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2

(Ans 6a.)

Financial Capital at  
Historical cost measure opening  
& closing Equity & at historical costs.

0 6aStep1 Opening equity =  $75.00 \times 20 = 15,00,000$

3 6aStep2 Closing equity =  $(75.00 \times 30) = 22,50,000$   
 $= 22,50,000$

3 6a Max Capital Withdrawn =  $22,50,000$   
Closing - of equity  
 $= 22,50,000 - 15,00,000$   
 $= 7,50,000$

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|                         |             |
|-------------------------|-------------|
| <b>Total Marks:</b>     | <b>100</b>  |
| <b>Marks Obtained :</b> | <b>93.5</b> |

Page 39



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4

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**The Institute of Chartered Accountants of India**

**Code:** IN1AC419078  
**Subject :** 01 Accounting

|                         |             |
|-------------------------|-------------|
| <b>Total Marks:</b>     | <b>100</b>  |
| <b>Marks Obtained :</b> | <b>93.5</b> |

## Result Overview

**Awarded Marks: 93.5**

**Max Marks:100**

NA Not Attempted

0 Optional

M **Marked**

**Q1\_Compulsory (Score: 17.5/20 )**

| Question No | Awarded Marks | Maximum Marks | Status |
|-------------|---------------|---------------|--------|
| Q1          | 17.5          | 20            | M      |
| 1a          | 4.5           | 5             | M      |
| 1b          | 5             | 5             | M      |
| 1c          | 5             | 5             | M      |
| 1d          | 3             | 5             | M      |

Q2\_Q6 (Score: 76/80 )

| Question No | Awarded Marks | Maximum Marks | Status |
|-------------|---------------|---------------|--------|
| Q2          | 0             | 20            | O      |
| 2a          | 0             | 10            | O      |
| 2b          | 0             | 10            | O      |
| Q3          | 20            | 20            | M      |
| 3a          | 10            | 10            | M      |
| 3b          | 10            | 10            | M      |
| Q4          | 17.5          | 20            | M      |
| 4a          | 7.5           | 8             | M      |
| 4b          | 10            | 12            | M      |
| Q5          | 18.5          | 20            | M      |
| 5a          | 10.5          | 12            | M      |
| 5b          | 8             | 8             | M      |
| Q6          | 20            | 20            | M      |
| 6a          | 3             | 5             | O      |
| 6b          | 5             | 5             | M      |
| 6c          | 5             | 5             | M      |
| 6d          | 5             | 5             | M      |
| 6e          | 5             | 5             | M      |